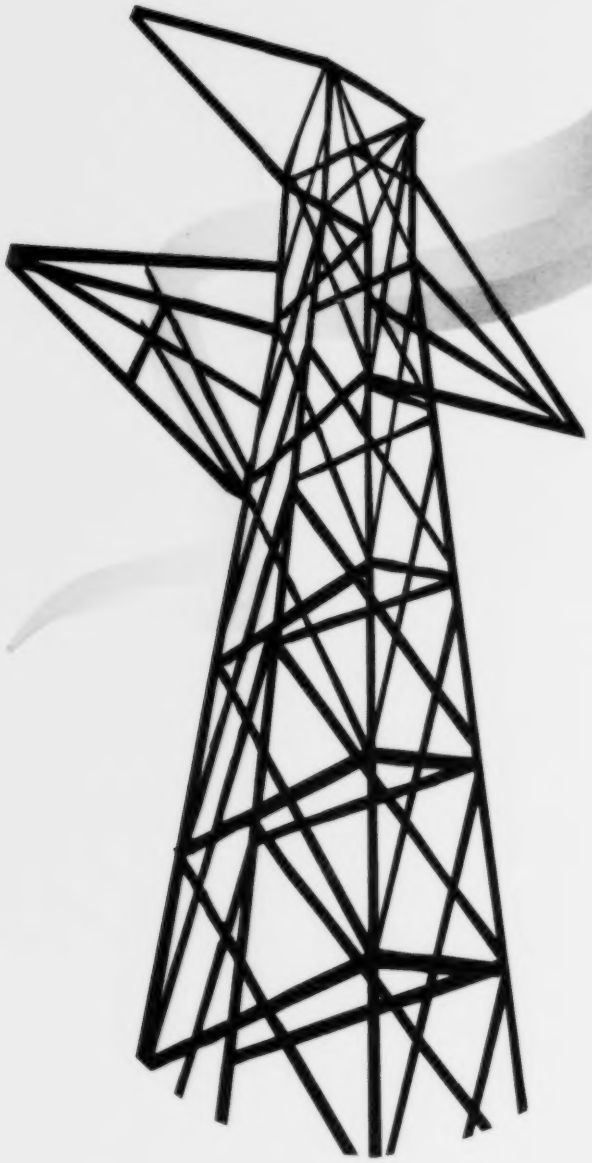

2007 Annual Report

Northwest Territories

Public Utilities Board
of the
Northwest Territories

2008-02113/

Northwest Territories Public Utilities Board

February 27, 2008

Micromedia Limited
Acquisitions/Research Indexes
20 Victoria Street
Toronto ON M5C 2N8

Enclosed is a copy of the 2007 Annual Report of the Public Utilities Board of the Northwest Territories.

Please be advice that starting next year, the Board has decided not to mail out hard copies of its annual report. Copies of the report can be found on the Board's website at www.nwtpublicutilitiesboard.ca.

If you prefer to receive hard copies, please advise the Board office.

Yours truly,

Louise Larocque
Board Secretary

203 - 62 Woodland Drive, Box 4211, Hay River, NT Canada X0E 1G1
Telephone (867) 874-3944 Fax (867) 874-3639
www.nwtpublicutilitiesboard.ca

PUBLIC UTILITIES BOARD

OF THE NORTHWEST TERRITORIES

ANNUAL REPORT

For the year ending
December 31, 2007

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Northwest Territories Minister Responsible for the Public Utilities Board

The Honourable Anthony W. J. Whitford
Commissioner of the Northwest Territories

I am submitting the Annual Report of the Public Utilities Board of the Northwest Territories for the calendar year ending December 31, 2007.

Robert R. McLeod
Minister

Attachment

Government of the Northwest Territories, P.O. Box 1320, Yellowknife, NT Canada X1A 2L9

Northwest Territories Public Utilities Board

February 7, 2008

The Honourable Robert R. McLeod
Minister Responsible for the
Public Utilities Board of the Northwest Territories

Dear Minister:

I am pleased to submit the Annual Report of the Public Utilities Board of the Northwest Territories for the calendar year ending December 31, 2007, in accordance with the provisions of Section 16. (1) of the *Public Utilities Act*.

Yours truly,

Joe Acorn
Chairperson

203 - 62 Woodland Drive, Box 4211, Hay River, NT Canada X0E 1G1
Telephone (867) 874-3944 Fax (867) 874-3639
www.nwtpublicutilitiesboard.ca

PUBLIC UTILITIES BOARD OF THE NORTHWEST TERRITORIES

Mandate

The Public Utilities Board of the Northwest Territories ("**Board**") is an independent regulatory agency of the Territorial Government operating under and administering the *Public Utilities Act* ("***Act***"). The Board is primarily responsible for the regulation of energy utilities in the Northwest Territories ("**NWT**"), to ensure that the rates charged for energy are fair, just and reasonable. It is also responsible for ensuring utility operators provide safe, adequate and secure services to their customers.

Board Organization

The Board consists of a part time Chairperson and four part time members. The Board Secretary, who reports to the part time Chairperson, administers the office. As the chief executive officer, the Chairperson presides over sittings of the Board and supervises Board employees.

The position of Chairperson has been part time since April 1, 2001.

The Board operates with a part-time Chairperson, a full-time Board Secretary and contracted legal counsel and technical consultant. Because of the technical nature of the work, the Board is dependent on specialized outside assistance. No changes are contemplated, as the arrangement is cost effective.

The Minister Responsible for the Board, upon the recommendation of the Executive Council, appoints members of the Board. For 2007, the Board consisted of the following persons:

Chairperson	Joe Acorn, Yellowknife, Northwest Territories
Vice-Chairperson	John E. Hill, Devon, Alberta
Member	Gene Nikiforuk, Candle Lake, Saskatchewan
Member	William Koe, Inuvik, Northwest Territories
Member	Sandra Jaque, Fort Smith, Northwest Territories

The Board was assisted by:

Board Secretary	Louise Larocque, Hay River, Northwest Territories
Legal Counsel	John Donihee Professional Corporation, Calgary, Alberta
Consultant	Raj Retnanandan, Energy Management & Regulatory Consulting Ltd., Edmonton, Alberta

REGULATORY JURISDICTION

Following are the utilities subject to the Board's jurisdiction:

Northwest Territories Power Corporation
Head Office: Hay River, Northwest Territories

Stittco Utilities NWT Ltd.
Head Office: Hay River, Northwest Territories

Northland Utilities (NWT) Limited
Head Office: Hay River, Northwest Territories

Northland Utilities (Yellowknife) Limited
Head Office: Yellowknife, Northwest Territories

The Town of Norman Wells
Head Office: Norman Wells, Northwest Territories

Aadrii Ltd.
Head Office: Yellowknife, Northwest Territories

Inuvik Gas Ltd.
Head Office: Inuvik, Northwest Territories

UTILITY REGULATION

The need for regulation arises because utilities generally provide service on a monopoly basis without the economic controls of competition. The Board is the proxy for competition and attempts to ensure efficiency and fair pricing. The principles of rate regulation rest on fairness to both the utility and the consumer.

Energy utilities, as defined in the *Act*, are subject to Board regulation. The Board's principal responsibility is to ensure that each utility provides safe, adequate service at rates which are just and reasonable. When setting rates the Board must balance the competing interests of consumers, and the utilities. Rates are set through a public hearing process. The Board's objective through the hearing process is to guarantee that the public interest is served and protected.

Public involvement is an essential component of the regulatory process. The Board ensures the opportunity for public participation by directing the applicant to publish a notice, approved by the Board, advising that a hearing is to be held to consider the application. The notice may be published in newspapers throughout the utility's service area, included in each customer's monthly billings, or such other method that the Board considers appropriate.

The Board has the authority to award costs at the conclusion of a hearing. Interveners before the Board may receive up to 100% of their reasonably incurred costs provided that, in the Board's opinion, the intervention contributed in a meaningful way to the Board's understanding of the application.

Interveners are interested parties who register with the Board and receive copies of the application and all written questions and answers.

Interveners may take an active role in the hearing process. They may submit written questions, give evidence, call expert witnesses, and cross-examine the applicant. The applicant, as well as other interveners, is provided the opportunity to cross-examine the intervener and the intervener's expert witnesses. Alternatively, the intervener may choose to not actively participate in the hearing, but simply receive all available information.

After hearing and reviewing the evidence, the Board issues its decision on the application. The Board may reject the rate change, modify it, or approve it as requested.

The Board also approves major capital projects, the issuance of long-term debt and municipal franchise agreements.

2007 HIGHLIGHTS

One of the Board's major activities during 2007 was the Town of Inuvik's ("**Inuvik**") complaint regarding the Inuvik Gas Ltd.'s ("**IGL**") 2006 increase of natural gas rates within the Town of Inuvik. After exploring the issues related to this complaint by way of written interrogatories addressed to both IGL and Inuvik, the Board issued a letter, dated December 8, 2006, to all interested parties to request their comments on a conference, to be held in January 2007, to further explore issues, assist in scoping the issues to be included in the complaint and determine the appropriate procedure for making a decision on the complaint. Both IGL and Inuvik agreed to have a conference held in Inuvik. The conference was scheduled for February 15, 2007 at the Mackenzie Hotel in Inuvik. On May 11, 2007, counsel for Inuvik wrote the Board and withdrew the complaint as a result of Inuvik and IGL having negotiated a settlement agreement. The Board issued Decision 10-2007, which terminated the complaint and made the rate increase final, effective October 22, 2006.

The other major activity of the Board was the Northwest Territories Power Corporation's ("**NTPC**") 2006/07 and 2007/08 Phase 1 General Rate Application ("**GRA**") proceeding. The Board held a hearing with respect to the GRA on May 23, 24 and 25, 2007 in Yellowknife. Following the hearing, the Board issued Decision 13-2007 wherein the Board set out its findings with respect to the issues raised during the proceedings and directed the NTPC to refile its application. In response, the NTPC, by letter dated October 1, 2007, submitted a Refiling Application. The Board issued a Decision 17-2007 on November 8, 2007, directing the NTPC to file a 2nd Refiling Application in accordance with the directions and approvals in the decision. The NTPC, by letter dated November 27, 2007, submitted a 2nd Refiling Application. The Board issued Decision 19-2007 on Dec. 31st, 2007, which approved the final 06/07 and 07/08 revenue requirements for the NTPC. With Decision 20-2007, also issued on Dec. 31st, 2007, the Board approved an adjustment to the NTPC rates to allow for full collection of the 07/08 revenue requirement on a go-forward basis starting Jan. 1st, 2008. The Board also approved a 06/07 shortfall rider to allow the NTPC to recover uncollected revenue from the 06/07 year. A 07/08 shortfall rider will also be required to reconcile the NTPC's revenues for the period from Apr. 1st, 2007 to Dec. 31st, 2007. The NTPC does not anticipate the 07/08 shortfall rider becoming active until the 06/07 shortfall rider has been terminated.

On November 5, 2007, the NTPC filed an application requesting that the Board review and vary Directives 15 and 45 from Board Decision 13-2007. The application alleged that the Board made errors in law, jurisdiction and fact and listed three grounds for review. The NTPC requested that the Board vacate Directives 15 and 45. After receiving submissions from the two primary interveners and a response from the NTPC, the Board issued a letter, dated November 28, 2007, and decided to proceed with a written hearing. The Board agreed to review Directive 15 and decided, on its own motion, that it would also

include Directive 14 in the Review and Variance. The Board's decision on the Review and Variance matter will not be issued until January 2008.

The Board also dealt with other significant matters that are detailed in the decision summary.

During the year, Board members participated in the educational conference hosted by the Canadian Association of Members of Public Utilities Tribunals ("**CAMPUT**"). CAMPUT is the Board's primary resource for providing staff and Board members with training and education in areas of utility regulation. The following are courses that were attended by Board members:

- 2007 Energy Regulation Course
- Depreciation/Hedging Course

A LOOK AHEAD

The NTPC will be filing its Phase 2 GRA within the first quarter of 2008.

Northland Utilities (Yellowknife) Limited ("**Northland Yk**") and Northland Utilities (NWT) Limited ("**Northland NWT**") are each expected to file a Phase 1 GRA for the test years 2008, 2009 and 2010 early in 2008. The Phase 2 GRA will be filed, from both utilities, approximately one month thereafter.

SUMMARY OF 2007 BOARD DECISIONS

DECISION 1-2007 **January 10, 2007**

Application:
The NTPC filed its 2006/07 and 2007/08 Phase 1 GRA to determine its revenue requirement, by letter dated November 24, 2006. As part of its GRA, the NTPC requested approval of interim rates for the thermal and hydro communities, effective January 1, 2007. The NTPC also requested approval of an increase in the fuel rider to the diesel fuel communities and an increase to Rider T for the communities of Fort Resolution and Fort Smith. The fuel rider and Rider T increases are in addition to the requested interim rate increase.

Order:
After reviewing the application, the Board directed the NTPC to refile its interim rate application and propose interim rates designed to recover approximately 75% of the forecast revenue deficiency, by community, subject to the 15% rate cap applied to revenue increases resulting from interim rate increases and fuel rider/Rider T increases. To the extent that the 2002/03 cost of service study needs adjustments for any known changes that are material, The NTPC was directed to reflect those adjustments and file a revised table showing percent increases by community and a table showing the revenue increases by community after the fuel rider/Rider T increases and the interim increases, within 7 business days from the date of Decision 1-2007.

The Board approved the requested increases to the fuel rider and the change to Rider T, effective January 1, 2007.

DECISION 2-2007 **January 26, 2007**

Application:
By e-mail dated January 19, 2007, the NTPC submitted responses to Decision 1-2007, by re-filing the interim rates application on a community-specific basis. The NTPC indicated that it had designed the proposed interim rates based on the Board's direction in Decision 1-2007.

Order:
Upon review of the schedules and information provided by the NTPC, the Board approved the interim refundable rates, effective February 1, 2007.

DECISION 3-2006 **January 17, 2006**

Application:
By letter dated February 7, 2007, Northland NWT submitted an application to the Board for an order to increase Rider F, applicable to the Hay River rate zone. Northland NWT stated it is proposing to flow through NTPC's interim refundable rate rider, by increasing Rider F.

Order:
The Board reviewed the submissions and supporting schedules. The Board noted the application was consistent with the Board's existing procedures for adjustment of Rider F resulting from changes in the purchased power charge. The Board approved the change to Rider F, effective March 1, 2007.

DECISION 4-2007 **February 21, 2007**

Application:
By letter dated February 7, 2007, Northland NWT filed an application to increase the existing Rider I diesel generation rider for Hay River. Northland stated that the diesel generation for 2006 actually provided 4.13% of the system supply due to a lengthy hydro outage in September 2006.

Order:
The Board reviewed the schedules and information provided by Northland NWT and approved the rate rider as filed, effective March 1, 2007

DECISION 5-2007 **February 21, 2007**

Application:
By letter dated February 7, 2007, Northland Yk submitted an application to the Board for an order to increase Rider C, applicable to the City of Yellowknife customers. Northland Yk stated it is proposing to flow through NTPC's interim refundable rate rider, by increasing Rider C.

Order:
The Board reviewed the submissions and supporting schedules. The Board noted the application was consistent with the Board's existing procedures for adjustment of Rider C resulting from changes in the purchased power charge. The Board approved the change to Rider C, effective March 1, 2007.

DECISION 6-2007 **February 21, 2007**

Application:
Ecology North had provided its Appliance Rebate Program Final Report, dated January 15, 2007, to Northland Yk.

By letter dated February 7, 2007, Northland Yk submitted an application to the Board for an order approving the use of the Rider G balance to offset the Northland Yk's NTPC shortfall Rider ("**Rider C**") balance that was to be collected from customers effective March 1, 2007.

Order:
The Board reviewed the schedules and the information provided by Northland Yk and approved the refund of the Rider G balance by offsetting a portion of Northland Yk's Rider C balance that was to be collected from customers, effective March 1, 2007.

DECISION 7-2007 **March 14, 2007**

Application:
By letter dated December 21, 2006, Northland Yk submitted a 25 kV 2007 Deferral Account Application to the Board, to approve the continuation of the 25 kV Deferral Account approved in Decision 12-2005, for the 2007 year.

Order:
The Board approved the pass through of the cost of 25kV additions in 2007 by way of Rider U, effective April 1, 2007 until the amount of $219,000 was collected. The Board also approved the continuation of the 25kV deferral account in 2007 using a reduced rate of return on common equity of 9% for 2007.

DECISION 8-2007 **March 23, 2007**

Application:
By letter dated March 12, 2007, Northland NWT submitted an application to adjust the existing Rider A diesel fuel riders for the communities of Fort Providence, Wekweeti and Trout Lake, effective April 1, 2007.

Order:
With the exception of Trout Lake for which actuals were used, Northland NWT used the Board's prescribed procedures for forecasting fuel cost changes for all other communities. The Board also noted the calculations and procedures for adjustment of Rider A resulting from changes in fuel costs were in conformity with the Board's existing procedures for adjustment of Rider A. Therefore, the

Board accepted Northland's estimates of fuel costs and consequent adjustments to Rider A, effective April 1, 2007.

DECISION 9-2007 **April 20, 2007**

Application:
By letter dated March 22, 2007, the Counsel for the City of Yellowknife, Mr. Thomas D. Marriott, made an application to the Board for intervener costs in an amount of $2,451.46 with respect to Northland Yk's 25 kV 2007 Deferral Account Application.

Order:
The Board reviewed and approved the intervener cost applications, as submitted.

DECISION 10-2007 **June 20, 2007**

Application:
By letter dated August 21, 2006, IGL advised the Board that it proposed to increase gas rates effective October 22, 2006. Inuvik was advised of the proposed increase at the same time.

Inuvik, in its letter dated October 6, 2006, advised the Board that it opposed the proposed rate increase and requested the Board to review the earnings and accounts of IGL. Inuvik provided a list of the primary reasons for the complaint.

Order:
After exploring the issues related to this complaint by way of written interrogatories addressed to both IGL and Inuvik, the Board issued a letter, dated December 8, 2006, to all interested parties to provide their comments on a conference, to be held January 2007, to further explore issues and to assist in scoping the issues to be included in the complaint and determining the appropriate procedure for making a decision on the complaint.

The conference was scheduled for February 15, 2007 at the Mackenzie Hotel in the town of Inuvik. On May 11, 2007, Counsel for Inuvik wrote the Board, withdrawing the complaint as a result of Inuvik and IGL having negotiated a settlement agreement. The Board issued a decision terminating the complaint and making the rate increase final, effective October 22, 2006.

DECISION 11-2007 **June 20, 2007**

Application:
By letter dated June 8, 2007, Northland NWT submitted an application to adjust the existing Rider A diesel fuel riders for the communities of Fort Providence, Dory Point/Kakisa, Wekweeti and Trout Lake, effective July 1, 2007.

Northland NWT also implemented changes to the Temporary Refund/Surcharge Rider (Rider E) by setting the rates to 0.00% applicable to the communities of Dory Point/Kakisa, Trout Lake and Wekweeti, effective July 1, 2007. Rider E balances for these communities will be reviewed and reconciled concurrent with the timing of the next Rider A application.

Order:
The Board reviewed the schedules and information provided by Northland NWT and approved the rate riders as filed, effective July 1, 2007.

DECISION 12-2007 **August 1, 2007**

Application:
By letter dated June 29, 2007, Northland Yk submitted a 2006 Deferral Account Application.

Order:
The Board reviewed the schedules and information provided by Northland Yk and approved the rate rider, effective September 1, 2007, on an interim refundable basis.

DECISION 13-2007 **August 29, 2007**

Application:
On November 24, 2006, the NTPC filed its Phase 1 GRA for the fiscal years April 1, 2006 to March 31, 2007 and April 1, 2007 to March 31, 2008 ("**Phase 1 GRA**"). In its Phase 1 GRA, NTPC requested an order or orders of the Board to approve the 2006/07 and 2007/08 Revenue Requirement at $79.909 million and $84.331 million, respectively, including approval as required of the operating and maintenance expenses, amortization expenses and return on rate base. NTPC also requested an order or orders of the Board to approve the forecast 2006/07 and 2007/08 Rate Base, approve revised Terms and Conditions of Service, approve revised Maximum Corporation Investment levels, stabilization funds and accounting provisions.

Order:
The Board directed the NTPC to publish a notice of a public hearing for the Phase I GRA in newspapers that circulate in the Northwest Territories. The notice, published in December 2006, included details and the schedule of the Phase I GRA, and invited interested persons to file a request with the Board for intervener status.

Interveners were provided an opportunity to submit information requests to the NTPC and file evidence.

The Board advertised and scheduled a hearing for May 23, 24 and 25, 2007 in Yellowknife.

The Board, after reviewing the information provided and the testimony of witnesses, issued its decision and provided the NTPC with a number of directives. The NTPC was ordered to prepare and file the information required to comply with the directions contained in Decision 13-2007.

DECISION 14-2007 **September 28, 2007**

Application:
By letter dated September 10, 2007, Northland NWT submitted an application to adjust the existing Rider A diesel fuel rider for the community of Wekweeti, effective October 1, 2007.

Order:
The Board reviewed the schedules and the response to an information request provided by Northland NWT and approved the rate rider as filed, effective October 1, 2007.

DECISION 15-2007 **October 1, 2007**

Application:
By letter dated July 31, 2007, the Counsel for the Hydro Communities ("**HC**"), Mr. Thomas D. Marriott, made an Application to the Board for intervener costs in an amount of $213,983.83.

On August 14, 2007, NTPC provided their comments and on August 31, 2007, the HC were provided an opportunity to respond to NTPC's comments.

Order:
After reviewing the comments by both parties, the Board considered the expert witnesses' evidence with respect to the Dogrib Power Corporation lease was not of assistance to the Board. In view of this, the Board reduced preparation, appearance and Argument/Reply hours used to calculate the cost award by 10%. The Board also considered the hourly rate of $300.00 to be excessive considering the value of assistance provided to the Board. The Board therefore reduced the hourly rate to $250.00. Further, the Board noted that one of the expert witnesses charged travel time at the full hourly rate. The Board considered the award for travel time should be at one half the full hourly rate.

The Board expected the HC would have the ability to claim GST and PST back from the respective Governments. Accordingly, the Board did not award any recovery of GST and PST as part of this cost order.

Accordingly, the Board awarded costs in the amount of $171,250.53 to the HC.

DECISION 16-2007 **October 1, 2007**

Application:
By letter dated August 2, 2007, the Counsel for the Thermal Generation Communities ("**TGC**"), Mr. A. O. Ackroyd made an application to the Board for intervener costs in the amount of $95,674.98.

On August 14, 2007, NTPC provided their comments and on August 30, 2007, the TGC were provided an opportunity to respond to NTPC's comments.

Order:
The Board noted Mr. Ackroyd claimed costs for being present at the hearing as well as preparation time for hearing. Since he did not actively participate in the hearing, the Board considered it appropriate to disallow these costs in order to avoid duplication with Mr. Merani's costs. Mr. Ackroyd also included costs for research time for green initiatives; this, in the Board's view, is work that should be done by the consultant. Accordingly, the Board reduced Mr. Ackroyd's hours used to calculate the cost award by 40%.

The Board noted Mr. Merani has claimed disbursements with respect to transcript costs. Since transcripts could have been downloaded at no cost from an internet site, the Board disallowed the disbursement of $839.00 claimed by Mr. Merani.

With respect to travel time, the Board noted that Mr. Merani claimed 0.8 hours on January 7th and 0.8 hours on January 8th for travel time relating to attendance at the technical meeting. In the Board's view, Mr. Merani appeared to have reflected

a reduced rate for travel in his hours claimed. A review of hours claimed by Mr. Merani on his hearing travel dates indicated he claimed 5.5 hours for preparation of cross-examination on May 22nd and 3 hours for hearing attendance on May 25th. In the Board's view, Mr. Merani did not appear to have included any significant travel time on the two hearing travel dates.

The Board considered the reduction for Mr. Ackroyd's hours noted earlier included any reduction related to travel time. Accordingly the Board did not adjust the TGC's claim for any reduced rate applicable to travel time.

The Board expected the TGC would have the ability to claim GST and PST back from the respective Governments. Accordingly, the Board did not award any recovery of GST and PST as part of this cost order.

Accordingly, the Board awarded costs in the amount of $72,510.41 to the TGC.

DECISION 17-2007 **November 8, 2007**

Application:
In Board Decision 13-2007, the NTPC was requested to respond to a number of Board Directives. By letter dated October 1, 2007, the NTPC filed a response to Board Decision 13-2007 ("**1st Refiling**"). The Board established a written process for examination and comments arising from the 1st Refiling.

Order:
After reviewing the responses to information requests, argument and reply argument, the Board issued its decision and provided the NTPC with a number of directives and other approvals. The NTPC was ordered to prepare and file a second refiling in accordance with the directions and approvals in Decision 17-2007 by November 30, 2007.

DECISION 18-2007 **December 13, 2007**

Application:
By letter dated November 12, 2007, the Counsel for the Hydro Communities, Mr. Thomas D. Marriott, made an Application to the Board for intervener costs in an amount of $10,473.44.

On November 15, 2007, the NTPC provided their comments and stated that the HC qualifies for a 100% GST rebate. The NTPC recommended that the cost claim be adjusted to exclude the GST, a reduction of $592.84.

Order:
The Board agreed with the NTPC on the GST issue and did not award any recovery of GST as part of this cost order. Accordingly, the Board awarded costs in the amount of $9,880.60 to the HC.

DECISION 19-2007 **December 31, 2007**

Application:
The NTPC was requested to file its Second Phase 1 Refiling ("**2nd Refiling**") in accordance with the directions and approvals in Board Decision 17-2007, by November 30, 2007 together with rate schedules resulting from the 2nd Refiling. By letter dated November 27, 2007, NTPC submitted responses to Decision 17-2007 addressing certain Board directives in Decision 13-2007 and 17-2007, including the 2nd Refiling schedules.

Order:
After reviewing the information filed by NTPC and the comments of interested parties, the Board issued Decision 19-2007 and approved NTPC's rate base and revenue requirement for the 2006/07 and 2007/08 test years.

DECISION 20-2007 **December 31, 2007**

Application:
By letter dated December 3, 2007, NTPC submitted an application for adjustment of rates pursuant to Board Decision 17-2007 Directive 12. In its application, NTPC requested approval for the rate adjustments to be effective January 1, 2008.

Order:
The Board reviewed the comments of interested parties, the information filed by NTPC and the NTPC's response to the interested parties' comments. The Board issued Decision 20-2007 and approved NTPC's interim rates, effective January 1, 2008.

Board Letter Decisions

Two Letter Decisions were issued by the Board following a review schedule that included the interested parties and utilities. The effect of the decisions extends beyond just the specific files that were the subject of the letters.

Recovery of GST Amounts

On November 15, 2007, TGC submitted a letter regarding the recovery of the GST amount, pursuant to Decision 16-2007. By letter dated November 22, 2007, the Board requested comments from NTPC. NTPC provided its comments on November 27, 2007.

By letter dated December 13, 2007, the Board issued a decision letter with respect to a recovery of GST amount filed by the Thermal Generation Communities. In its letter, the Board agreed with NTPC that since the contract for services rendered is with the TGC, it is TGC that should be responsible for payment of GST costs incurred by Counsel and Consultant for TGC. Accordingly, the Board did not direct NTPC to reimburse the GST associated with TGC's cost of intervention with the expectation that TGC will apply for a refund to 100% of the GST cost from the federal government.

Retroactive Recoveries

By letter dated December 3, 2007, NTPC submitted an application for adjustment of rates pursuant to Board Decision 17-2007 Directive 12. In its application, NTPC requested approval for rate adjustment, effective January 1, 2008, as follows:

- Adjust the base rates to reflect full recovery of the 2007/08 revenue requirement on a go-forward basis;
- Revise fuel stabilization fund riders;
- Transfer and adjust the fuel stabilization fund balances; and
- Continue the 2006/07 shortfall riders.

By letter, dated December 5, 2007, the Board advised NTPC and all interested parties that it was concerned that the NTPC was requesting the Board to engage in retroactive ratemaking by seeking the recovery of revenues back to the start of the 06/07 test year (Apr. 1, 2006), which was earlier than the date of filing of the Phase 1 application (Nov. 24, 2006) and the start of the interim rates (Feb. 1, 2007).

The Board advised the parties that it would issue a decision on the matter after it received submissions from all parties. The Board set a schedule with Argument due on December 14, 2007 and Reply Argument due on December 21, 2007.

NTPC, by letter dated December 14, 2007, filed their argument. The Thermal Generation Communities and the Hydro Communities also submitted their argument on December 14, 2007. NTPC provided a supplemental filing on December 18, 2007 in response to a request for certain additional information from the TGC. By letters dated December 21, 2007, NTPC and TGC filed their reply argument.

The Board issued a letter decision, dated December 31, 2007, regarding the retroactive recoveries. The Board decided to allow the NTPC to recover revenues back to the start of the 06/07 test year but the Board also stated that in future GRAs, the Board's expectation is that NTPC will file its Phase 1 GRA with sufficient time to permit the approval of interim rates for the first day of the test year. The Board also stated that if significant reasons exist that prevented NTPC from filing in time to have interim rates in place for the start of the test year, then the Board accepts that Section 51(2)(b) of the *Act* could be used. However, a significant burden will be upon NTPC to convince the Board that it would be just and reasonable for the Board to exercise its discretion and allow reconciliations in the period between the start of the test year and the start of the interim rates.